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C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 001582

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NSC FOR ABRAMS/SINGH/GAVITO/YERGER/DEMOPULOS, STATE FOR  
NEA/ELA

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TAGS: [ENIV](#) [PGOV](#) [PREL](#) [PTER](#) [LE](#)  
SUBJECT: LEBANON: CABINET APPROVES TELECOM SALE

REF: BEIRUT 1546

Classified By: DCM William Grant for reasons 1.4 (b) and (d)

¶1. (C) Summary: The GOL cabinet approved the sale of two mobile telephone licenses, with a call for bids this year and a final sale in early 2008. The cabinet also approved hiring of staff by the Telecommunications Regulatory Authority (TRA) with temporary exemption from GOL administrative process. Funding for the TRA is still an issue, since the cabinet did not receive a proposal to grant the TRA an additional \$3 million in budget support. End summary.

CABINET COMPROMISES,  
APPROVES SALE  
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¶2. (C) At the end of a lengthy cabinet meeting on October 9, 2007, the GOL approved the sale of the two mobile telephone licenses; the GOL will issue a call for bids in 2007 and allow the next government to complete the auction in early ¶2008. Minister for Social Affairs Nayla Mouawad told the Ambassador that one of the major issues for cabinet debate was Minister of Telecommunications Marwan Hamadeh's request that the license winners retain all the employees of the two current non-governmental mobile telephone management companies, Alpha and MTC, for 24 months after the sale. Apparently the cabinet compromised with an approval of 18 months, motivated by concern about an immediate loss of jobs at the two companies. Each company employs about 400 people. Telecommunications Regulatory Authority Chairman Kamal Shehadi confirmed that this would be a workable issue for buyers, who would take this into account in their bidding.

HIRING APPROVED,  
BUT TEMPORARY ONLY  
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¶3. (C) The other major decision made was a temporary provision, with no time limit, to allow the TRA to continue to hire up to forty employees on a contract basis, pending compliance by the TRA with routine GOL hiring protocol for civil servants. Shehadi says that he plans to "drag his feet" in complying with the process, hoping that the 2008 budget proposal will include the promised exemption on this point for the TRA. (Note: Previously Shehadi believed that TRA employees would be exempted from the civil service, since the TRA was intended to be an autonomous regulator. End note.)

SALE SLATED FOR EARLY 2008  
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14. (C) The agreement on the sale of the two mobile licenses included a number of provisions, and provided a timeline for the sale. Although the public statement by the GOL stressed that this process will be completely at the will of a new government, Shehadi believes that it will be difficult to stop the process once up and running, and that the GOL understands that, but does not wish to sound an alarm. (Note: the current government expires after the end of the presidential term on November 24. The parliament should elect a new president by that date, after which a prime minister is selected and begins to form a cabinet. The process of forming a new government has, in recent years, taken two to four months from the time it started. End Note.) One key point is the decision to sell two-thirds of the shares to the bidder, while the GOL will retain one-third. The GOL will be required to sell their shares via an Initial Public Offering (IPO) within one year of the sale. The dates for the sale are:  
January 18, 2008 - Applications from bidders must be received;  
February 4, 2008 - Announcement of qualified bidders by GOL;  
February 7, 2008 - Opening of financial bids.

FUNDING FOR TRA  
STILL AN ISSUE  
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15. (C) A final issue troubling Shehadi -- the funding for the TRA -- has yet to be resolved. Financial Minister Jihad Azour was unable to prepare for the October 9 cabinet meeting the request for a second tranche of funding for the TRA. Shehadi requires a second tranche of \$3 million out of the approved \$13.5 million annual budget, approved by the cabinet

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previously. This amount will keep the as-yet small TRA solvent for the balance of 2007. Shehadi fervently hopes that this item will be on the agenda of the next cabinet meeting, since the time for a required second vote fifteen days later will be limited.  
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